

41A725NOL (10-05)
Department of Revenue

Pass-Through Entities

Mo. / Yr.

PART I—MANDATORY NEXUS CONSOLIDATION

Section A—Current Net Operating Loss Adjustment

Includible Corporations

A

B

Name

Kentucky
Corporation
Account Number

Kentucky Net Income

Kentucky Net Losses
(Enter as Positive Amount)

1. Common Parent

2. Includible Corporations

3. Totals (add Columns A and B)

4. Limitation (line 3, Column A, multiplied by 50%)

5. If line 3, Column B, is greater than line 4, enter the difference here; on Section B, line 1; and as a positive amount on Form 725, Part I, line 11; or Form 765, Part I, line 24.

If line 3, Column B, is less than line 4, enter -0- on Section B, line 1, and on Form 725, Part I, line 11; or Form 765, Part I, line 24

Section B—NOL Carryforward

1. Current year disallowed carryforward from Part I, Section A, line 5

2. If no entry on line 3, Column A, enter amount from line 3, Column B

3. Enter the amount from line 1 or line 2

4. Less Kentucky net loss distributed to individuals

5. Total NOL carryforward (line 3 less line 4)

PART II—SINGLE ENTITY FILERS

Section A—Kentucky NOL Carryforward

1. Carryforward from prior year(s)

2. Net operating loss (current year) from Form 725, Part I, line 13; or Form 765 Part I, line 26

3. Total of lines 1 and 2

4. Less Kentucky net loss distributed to individuals

5. Total Kentucky NOL carryforward (line 3 less line 4)

INSTRUCTIONS FOR SCHEDULE NOL (FORM 725 OR 765)

Purpose of this Form—This form must be completed and submitted with the income tax return (Form 725 and 765) when a corporation has a current year net operating loss or a net operating loss carryforward.

Part I of this form must be completed and submitted with a nexus consolidated tax return if the parent or any includible subsidiary has a current year net operating loss or a nexus net operating loss carryforward. A nexus net operating loss carryforward will not apply for the year 2005 as this is the first year for the new corporate entities. KRS 141.200(11)(b) provides that includible corporations that have incurred a net operating loss shall not deduct an amount that exceeds, in aggregate, 50 percent of the income realized by the remaining includible corporations that did not realize a net operating loss. The portion of any net operating loss limited by the application of this subsection shall be available for carryforward in accordance with the provisions of KRS 141.011.

Part II of this form must be completed by a corporation filing a separate return and having a current year net operating loss or a net operating loss carryforward. A net operating loss carryforward will not apply to 2005 as this is the first year for the new corporate entities.

LINE-BY-LINE INSTRUCTIONS

PART I-MANDATORY NEXUS CONSOLIDATION

Section A—Current Net Operating Loss Adjustment

Line 1—Enter the name and Kentucky Corporation Account Number of the parent corporation filing the return. In Column A, enter the Kentucky net income of the parent corporation or enter in Column B the Kentucky net loss of the parent corporation. The net loss must be entered as a positive number.

Line 2—Enter the name and Kentucky Corporation Account Number of each includible corporation included in the consolidated tax return. In Column A, enter the net income or enter in Column B the net loss of each subsidiary included in the consolidated return. A net loss must be entered as a positive number.

Line 3—Enter the total of Column A and Column B.

Line 4—Enter the amount of Line 3, Column A multiplied by 50 percent.

Line 5—If Line 3, Column B is greater than Line 4, Column A, enter the difference here; on Section B, Line 1; and on Form 725, Part I, Line 11; or Form 765, Part I, Line 24. If Line 3, Column B is less than Line 4, Column A, enter -0- on Section B, Line 1; and on Form 725, Part I, Line 11; or Form 765, Part I, Line 24.

Section B—NOL Carryforward

Line 1—Enter the amount from Part I, Section A, Line 5.

Line 2—If no entry on Part I, Section A, Line 5, enter the amount, if any, from Part I, Section A, Line 3, Column B.

Line 3—Enter the greater of Line 1 or Line 2.

Line 4—Enter the amount from Line 3 multiplied by the total of the individuals' stock or ownership percentages. KRS 141.011(4) provides that for taxable years beginning on or after January 1, 2005, the net operating loss carryforward deduction of a corporation shall be reduced by the amount of distributive share income, loss, and deduction distributed to an individual.

Line 5—Enter the amount of Line 3 less Line 4.

PART II—SEPARATE ENTITY FILERS

Section A—Kentucky NOL Carryforward

Line 1—Enter the Kentucky net operating loss carryforward from prior years, only if you did not file a nexus consolidated tax return. This will not apply for the 2005 year as this is first year of filing for new corporate entities.

Line 2—Enter net operating loss from Form 725, Part I, Line 13; or Form 765, Part I, Line 26, only if you did not file a consolidated nexus tax return.

Line 3—Enter the amount of Line 1 plus Line 2.

Line 4—Enter the amount of Line 3 multiplied by the total of individuals' stock or ownership percentages. KRS 141.011(4) provides that for taxable years beginning on or after January 1, 2005, the net operating loss carryforward deduction of a corporation shall be reduced by the amount of distributive share income, loss, and deduction distributed to an individual.

Line 5—Enter the amount of Line 3 less Line 4.